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PLEASE DATE STAMP & RETURN

CCDKT. 02-44

February 22, 2002

VIA COURIER

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
P.O. Box 358145
Pittsburgh, PA 15251-5145

FEB 22 2002 PLEASE DATE STAMP & RETURN

Re: Application of McLeodUSA Incorporated for Authority to Transfer Indirect Control of
Blanket Domestic Section 214 Authorizations

Dear Ms. Salas:

On behalf of McLeodUSA Incorporated, please find an original and six (6) copies of an application for Commission approval to transfer indirect control of the blanket domestic Section 214 authority held by McLeodUSA Incorporated's operating companies. Concurrent with this application, McLeodUSA is also filing an application for Commission approval of the transfer of control of the international Section 214 authorizations held by McLeodUSA Incorporated's operating companies.

Enclosed, please find a check in the amount of \$815.00 to cover the Commission's filing fee. Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided. Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Richard M. Rindler
Edward S. Quill, Jr.

Counsel for Applicants

Enclosure

cc: David R. Conn (McLeodUSA)
Grace R. Chiu (SBSF)

3975148.1

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)

McLEODUSA INCORPORATED)

File No. _____

Application for Authority Pursuant to)
Section 214 of the Communications Act of 1934,)
As Amended, to Transfer Indirect Control)
of Authorized U.S. Domestic Interstate)
Carriers)

APPLICATION

I. INTRODUCTION

McLeodUSA Incorporated ("Parent"), by and through undersigned counsel and pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214 (1982) (the "Act"), and Section 63.01 of the Commission's Rules, 47 C.F.R. § 63.01 (2000), hereby requests authority for the indirect transfer of control of McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), CapRock Telecommunications Corp ("CapRock"), IWL Communications, Inc. d/b/a CapRock Services Corp. ("IWL,"), McLeodUSA Telecom Development, Inc. ("MTDI") and McLeodUSA Public Services, Inc. ("MPS," with McLeodUSA, CapRock, IWL and MTDI, the "McLeodUSA Operating Companies") with respect to the blanket domestic Section 214 authority held by those companies to five affiliated funds: Forstmann Little & Co. Equity Partnership-VII, L.P. ("Equity-VII"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. ("MBO-VIII"), Forstmann Little & Co.

Equity Partnership-V, L.P. ("Equity-V"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. ("MBO-VI"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. ("MBO-VII")(collectively "Forstmann Little," together with Parent and the McLeodUSA Operating Companies, "Applicants").

A. Summary of the Indirect Transfer of Control

The McLeodUSA Operating Companies are all indirect subsidiaries of McLeodUSA Incorporated ("Parent"). As described more fully below, Parent filed a pre-negotiated plan of reorganization (the "Reorganization Plan" or "Plan") in its chapter 11 bankruptcy proceeding as a key step in positioning Parent for the future through a restructuring of its capital structure.¹ As a result of the consummation of the Plan, Forstmann Little will acquire an approximate ownership interest of 57 percent in Parent and therefore, indirectly, in the McLeodUSA Operating Companies.

B. Request for Expedited Consideration

Applicants respectfully request expedited consideration of this Application in order for the McLeodUSA Operating Companies to realize certain financial benefits that are essential to their respective continued operations. Because Applicants need to consummate the transaction described herein on or about April 5, 2002, Applicants request that the Commission approve this Application on an expedited basis to allow Applicants to complete the proposed transaction as soon as possible. To that end, Applicants respectfully request that the Commission reduce the public notice period to fifteen (15) days.

¹ The Reorganization Plan is supported by Parent's Board of Directors, its senior secured lenders, Equity-V, MBO-VI, MBO-VII, the ad hoc committee of holders of Parent's unsecured notes, and certain of Parent's preferred shareholders.

In support of this Application, Applicants provide the following information:

II. THE PARTIES

A. McLeodUSA Incorporated - Transferor

McLeodUSA Incorporated ("Parent") is a publicly traded Delaware corporation whose principal place of business is located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. McLeodUSA, CapRock, IWL, MTDI and MPS are all wholly-owned indirect subsidiaries of Parent.

B. Forstmann Little - Transferees

The partnerships of Forstmann Little are members of a family of affiliated private investment funds with principal address of 767 Fifth Avenue, New York, NY 10153. As noted above, Forstmann Little, for purposes of this Application is defined to include: Forstmann Little & Co. Equity Partnership-VII, L.P. ("Equity-VII"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. ("MBO-VIII"), Forstmann Little & Co. Equity Partnership-V, L.P. ("Equity-V"), Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. ("MBO-VI"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. ("MBO-VII")(collectively "Forstmann Little").

C. McLeodUSA, CapRock, IWL, MTDI and MPS - Licensees

McLeodUSA is an Iowa corporation that provides integrated communications services, including interstate services, primarily in 25 Midwest, Southwest, Northwest and Rocky Mountain states. McLeodUSA's principal place of business is located at McLeodUSA Technology Park, 6400 C Street, SW, Cedar Rapids, Iowa 52406-3177. CapRock is a Texas corporation with principal offices located at 15601 Dallas Parkway, Suite 700, Addison, Texas

75001. IWL is a Texas corporation whose principal offices are located at 12000 Aerospace Avenue, Suite 200, Houston, Texas 77034. MTDI is a South Dakota corporation with a principal place of business located at 29705 453rd Ave., Irene, South Dakota 57307. MPS is an Illinois corporations with principal place of business located at 121 South 17th Street, Mattoon, Illinois 61938. McLeodUSA, CapRock, IWL, MTDI and MPS are all authorized to provide U.S. domestic interstate services.

III. DESCRIPTION OF THE TRANSACTION

As stated above, Parent has formulated a Reorganization Plan to restructure its capital structure. The Plan involves, among other things, an increase in the equity ownership held by Forstmann Little, as set forth below.

The Reorganization Plan proposes, upon consummation, that Forstmann Little will own approximately 57 per cent of the reorganized Parent's common stock. Forstmann Little and their affiliates have long been recognized as a preeminent acquirer and owner of businesses. Over its 23-year history, the firm has invested almost \$12 billion in the 29 acquisitions and investments it has made. Forstmann Little and their affiliates focus exclusively on acquiring high quality, high growth companies, investing substantial amounts of its own capital to provide for significant ongoing expansion.

The Reorganization Plan contemplates that Equity-V, MBO-VI and MBO-VII will convert their existing Series D and Series E Preferred Stock into common stock, representing approximately 35 per cent of the reorganized Parent's common stock, and that Equity-VII and MBO-VIII will purchase for approximately \$175 million approximately 23 per cent of the reorganized Parent's common stock and 5-year warrants to purchase an additional 6 per cent of common stock for \$30 million. Upon the consummation of these transactions, Forstmann Little

will own approximately 57 per cent of Parent's Common Stock. Applicants therefore seek approval of the indirect transfer of control of the McLeodUSA Operating Companies to Forstmann Little.² Attached hereto as Exhibit A is an illustrative chart depicting the corporate structure of Parent and the McLeodUSA Operating Companies prior to and immediately following consummation of the Reorganization Plan.

Applicants emphasize that the indirect transfer of control described herein will not involve a change in the names under which the McLeodUSA Operating Companies currently respectively operate nor any change in the manner in which the McLeodUSA Operating Companies currently offer domestic interstate service. Immediately following the recapitalization, the McLeodUSA Operating Companies will continue to offer the services they currently respectively offer with no change in the rates or terms and conditions of service. The McLeodUSA Operating Companies, moreover, will continue to be led by the same team of experienced telecommunications management. The indirect transfer of control of the McLeodUSA Operating Companies to Forstmann Little therefore will be seamless and transparent to the McLeodUSA Operating Companies' interstate customers, in terms of the services they receive.

² As stated above, the transactions described herein are subject to confirmation of the Reorganization Plan by the Bankruptcy Court.

VI. PUBLIC INTEREST CONSIDERATIONS

Approval of the indirect transfer of control described herein will serve the public interest in promoting competition among telecommunications carriers. Specifically, the indirect transfer of control of the McLeodUSA Operating Companies that will result from Forstmann Little's increased equity ownership of Parent (resulting from its new investment and conversion of preferred stock) will provide the McLeodUSA Operating Companies with the opportunity to strengthen their respective competitive position through access to the improved capital structure of their ultimate parent. In addition, the improved financial position of Parent that will result from this increase in funding will enable Parent to implement its long-term growth plans and to significantly enhance the operational flexibility and efficiency, as well as the long-term financial viability of the McLeodUSA Operating Companies. These enhancements will inure directly to the benefit of the McLeodUSA Operating Companies' customers. The proposed transaction will therefore ensure the provision of innovative, high quality telecommunications services to the public and should promote competition in the U.S. domestic telecommunications service market.

V. INFORMATION REQUIRED BY SECTION 63.18

(a) Name, address and telephone number:

Transferor: McLeodUSA Incorporated
McLeodUSA Technology Park
6400 C Street, SW
Cedar Rapids, Iowa 52406-3177
Tel: (319) 790-6823

Transferee: **Transferees:** Forstmann Little & Co. Equity Partnership-VII, L.P.
 ("Equity-VII")
Forstmann Little & Co. Subordinated Debt and Equity
Management Buyout Partnership-VIII, L.P. ("MBO-VIII")
Forstmann Little & Co. Equity Partnership-V, L.P. ("Equity-V")
Forstmann Little & Co. Subordinated Debt and Equity
Management Buyout Partnership-VI, L.P. ("MBO-VI")
Forstmann Little & Co. Subordinated Debt and Equity
Management Buyout Partnership-VII, L.P. ("MBO-VII")
767 Fifth Avenue
New York, NY 10153
Tel: (212) 355-5656

Licensees: McLeodUSA Telecommunications Services, Inc.
McLeodUSA Technology Park
6400 C Street, SW
Cedar Rapids, Iowa 52406-3177
Tel: (319) 790-6823

CapRock Telecommunications Corp.
15601 Dallas Parkway
Suite 700
Addison, Texas 75001

**IWL Communications, Inc. d/b/a CapRock Services Corp.
12000 Aerospace Avenue
Suite 200
Houston, Texas 77034.**

McLeodUSA Telecom Development, Inc.
29705 453rd Ave.
Irene, South Dakota 57307.

McLeodUSA Public Services, Inc.
121 South 17th Street
Mattoon, Illinois 61938

(b) Transferor: Parent is organized under the laws of the State of Delaware.

Transferee: Equity-VII, MBO-VIII, Equity-V, MBO-VI, and MBO-VII are each organized under the laws of the State of Delaware.

Licensee: McLeodUSA is organized under the laws of the State of Iowa. CapRock and IWL are each organized under the laws of the State of Texas. MTDI is organized under the laws of the State of South Dakota. MPS is organized under the laws of the State of Illinois.

- (c) Correspondence concerning this Application should be sent to:

Richard M. Rindler
Grace R. Chiu
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7645

- (d) Transferor: Parent has not previously received authority under Section 214 of the Act.

Transferee: Equity-VII, MBO-VIII, Equity-V, MBO-VI, and MBO-VII have not themselves previously received authority under Section 214 of the Act.

Licensee: McLeodUSA, CapRock, IWL, MTDI and MPS hold domestic interstate Section 214 authority pursuant to blanket authority conferred by Section 63.01 of the Commission's rules, 47 C.F.R. § 63.01.

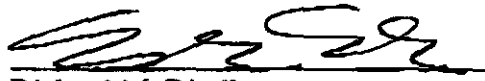
- (e) By this Application, Applicants seek authority to transfer indirect control of the McLeodUSA Operating Companies, all nondominant carriers holding blanket U.S. domestic interstate Section 214 authority, to Forstmann Little.
- (f) Concurrently with the filing of this Application, Applicants are filing an international Section 214 application for the approval required for the transfer of the McLeodUSA Operating Companies to Forstmann Little.
- (g) Equity-VII, MBO-VIII, Equity-V, MBO-VI, and MBO-VII each certifies for itself and Parent certifies for itself and the McLeodUSA Operating Companies, pursuant to Sections 1.2001 through 1.2003 of the Commission's Rules (implementing the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 3301), that it is not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.

VI. CONCLUSION

For the reasons stated herein, Applicants respectfully submit that the public interest, convenience and necessity would be furthered by grant of this Application for consent of indirect transfer of control of the McLeodUSA Operating Companies to Forstmann Little.

Respectfully submitted,

By:



Richard M. Rindler

Edward S. Quill, Jr.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K Street, N.W., Suite 300

Washington, DC 20007

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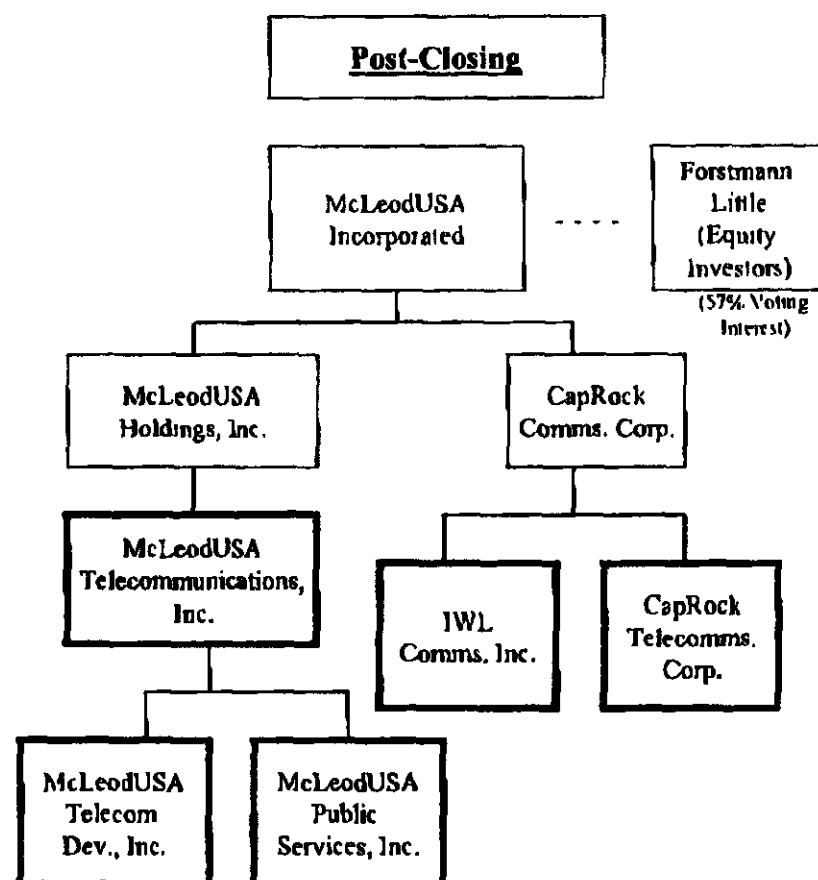
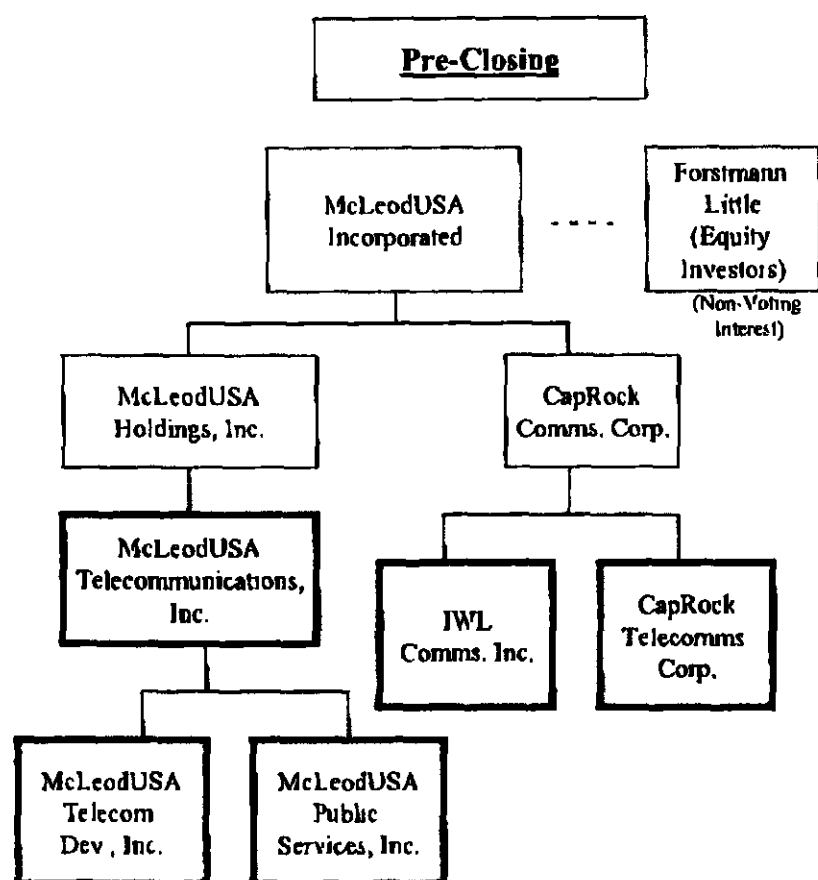
Counsel for Applicants

Dated: February 22, 2002

Exhibit A

Illustrative Chart

EXHIBIT A Illustrative Chart



* Chart does not depict affiliates of Applicant whose principal business is not telecommunications

190622 5

Key: Telecom Utility Non-
Telecom Utility

02-28-02 05:40pm

From: SUI/BLER BERLIN SHERIFF FRIEDMAN

202427645

T-937 P. 32/55 F-415

Verification

By: Winston W. Hutchins
Name: Winston W. Hutchins
a general partner

February 20, 2002
307503 1

CERTIFICATION

On behalf of Forstmann Little & Co., I hereby certify that the statements in the foregoing Application for Section 214 authority are true, complete, and correct to the best of my knowledge and are made in good faith.

Forstmann Little & Co. Equity Partnership-VII, L.P.

By: FLC XXXII Partnership, L.P., its general partner

By: Winston W. Hutchins

Name: Winston W. Hutchins
a general partner

Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P.

By: FLC XXXIII Partnership, L.P., its general partner

By: Winston W. Hutchins

Name: Winston W. Hutchins
a general partner

Forstmann Little & Co. Equity Partnership-V, L.P.

By: FLC XXX Partnership, L.P., its general partner

By: Winston W. Hutchins

Name: Winston W. Hutchins
a general partner

Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P.

By: FLC XXIX Partnership, L.P., its general partner

By: Winston W. Hutchins

Name: Winston W. Hutchins
a general partner

Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P.

By: FLC XXXIII Partnership, L.P., its general partner

By: Winston W. Hutchins

Name: Winston W. Hutchins
a general partner

February 20, 2002

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CERTIFICATION

On behalf of McLeodUSA Incorporated, I hereby certify that the statements in the foregoing Application for Section 214 authority are true, complete, and correct to the best of my knowledge and are made in good faith.

McLeodUSA Incorporated

A handwritten signature in black ink, appearing to read 'D. R. Conn', is written over the printed name.

By: **David R. Conn**

Vice President and Deputy General Counsel

February 20, 2002

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